

Bulletin 82

AUTOMOBILE INSURANCE-SALES TAX

February 25, 1994

This bulletin is issued to all insurers writing automobile insurance in the state of Indiana.

For many years, the Indiana Department of Insurance has taken the position that an insurer, when compensating a claimant for a totalled vehicle, must pay the claimant sales tax in addition to the fair market value of the vehicle. Recently, some companies have questioned whether the sales tax must be paid at the time of payment for the totalled vehicle or only upon the claimant's purchase of a replacement vehicle.

Because payment for the sales tax is necessary for the claimant to be made whole for the loss, payment for the sales tax must be made when the claimant is paid for the loss.

Insurance companies writing automobile insurance in the state of Indiana are therefore directed to pay for sales tax in addition to the amount for the totalled vehicle at the time of compensating the claimant for the loss of the vehicle. The sales tax shall be computed on the amount paid by the company for the totalled vehicle.

John F. Mortell
Insurance Commissioner